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MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

CORPORATIONS AND CITIZENSHIP
PADDY IRELAND

THE HISTORY OF CLASS STRUGGLE: FROM ORIGINAL ACCUMULATION TO NEOLIBERALISM
KEES VAN DER PIJL

HOW TO SPREAD THE WORD
LEO HUBERMAN

VOL. 49
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NOTES FROM THE EDITORS

In this space in last summer's double issue of MR, we directed attention to the work of a worldwatch Institute in Washington, D.C., especially its annual *State of the World*, the first issue of which was published in 1984. The latest (1997) of these reports came out in February. By now this series is being translated into all the world's major languages and constitutes what is probably the most comprehensive and available source of information on the global environment.

The producers of *State of the World*, however, are not content with supplying a source of information. On the cover of every issue there is

(Continued on inside back cover)

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HOW TO SPREAD THE WORD

by LEO HUBERMAN

This article is a reprint from the December 1967 issue of Monthly Review. It is dedicated to the revival of the U.S. labor movement after nearly three decades of retreat and inactivity. Leo Huberman was one of the founders of Monthly Review, and a devoted proponent and practitioner of labor education.

—The Editors

In the late 1930's I sat in on a course of education for trade unionists. That these workers had a desire to learn was evident by their enrollment in a class held in the evenings, after they had done a day's work. That the teacher knew his subject was manifest from the brilliance of his lecture. That the combination of students' desire and teacher's grasp of the material did not result in learning was obvious from the fact that before the hour was over, several members of the class were asleep; it was apparent, too, from the decline in enrollment—the next class was attended by only half the students, and the third time the class met, less than a quarter who had signed up were in attendance.

This, by and large, has been the experience in trade union education in the United States. Union officials, badgered by the pleas of the education director to appropriate the small sum needed for trade union classes, finally yield, reluctantly. The classes are held, and they fizzle. The union officials then declare triumphantly, "See, the workers don't want to

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learn." The teacher, saddened by his experience, agrees. But the conclusion is totally wrong: it isn't that the workers do not want to learn—that is seldom the case. *The cause of the failure is that the teacher does not know how to teach.*

This experience is not unique to trade union classes. It happens with radical groups, too. And it happens in underdeveloped countries where revolutionary ardor fills new classrooms with enthusiastic workers and peasants—and poor teaching, just as quickly, empties those classrooms.

This need not happen. Workers and peasants, no matter how impoverished their previous educational background, will stay the course, and they will learn, if the teaching they get is good teaching.

What is good teaching? What did that teacher in the trade union class do wrong? He had talked for about ten minutes when a hand went up and a student asked a question. It was a thoughtful question. The teacher should have felt flattered—had said something which had stimulated one of his listeners to think. He should have felt like hugging the questioner—instead, he was annoyed. The smooth flow of his carefully planned lecture had been interrupted and he put off the questioner with "I'll come to that later."

His mistake was in being concerned only with subject matter; he should have been concerned with students. He was a lecturer, not a teacher. The lecturer teaches subject matter; the teacher teaches people. The difference is crucial.

Obviously, where classes are very large and the lecturer stands before so many faces that he cannot possibly know them as individual human beings, good teaching by definition, is not feasible. Here the lecturer does his job well if he masters his material and presents it in as lively a manner as possible. But that trade union class had only 17 students and in a class that size (up to a limit of 25) it is easy for the teacher to get to know his students as individual human beings with varying backgrounds, and good teaching is possible.

It is possible because the teacher can base his lesson on the background and experience of the students and, by skillful questioning, get them to participate in the learning process.

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The subject matter is no longer an end in itself but a vehicle for making the students think, for giving them tools for understanding the world and their position in it. From the lecture hall, students emerge with a body of information; from a good classroom discussion in which they have participated actively because the subject matter is keyed to their experience, students emerge with an analytical approach to problems, with a comprehension of underlying forces.

The subject of the first lesson in that trade union course was an introduction to the capitalist system. As I said above, the teacher gave a brilliant lecture beginning with feudalism, the change to capitalism, the words of Karl Marx, exploitation of the working class, the whole bit. But he wasn't *teaching*, he was *telling*. He was telling the working class in words what it had experienced in life, instead of drawing from that experience the analysis he wanted the students to make.

Here below is a summary outline of the way the same subject was taught to a group of trade unionists in a workers' summer school. It should be noted that in this class and those that followed, no one went to sleep, the lively discussion was enjoyed by both teacher and students, the students were enthusiastic about the school, and tests showed that they had, in fact, learned what was taught them.

No tape recording of the class session is available so it should be understood that the questions and answers are only a fragment of the whole, listed merely to show the approach, to give the flavor of the discussion, to clarify the technique.

Questions	*Answers*
Where do you work?	•Students give the names of companies where they are employed. (This question serves the additional purpose of helping the teacher get to know his students and the students to know each other in their first meeting).

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Why do you work?

- Have to work in order to live.
- Can't eat without working.
- Just gotta get that dough each week to pay the rent.

Does the man who owns the factory work alongside you?

- (Laughter) That'll be the day.
- I've never seen him.
- My plant is owned by a big corporation.

Have you ever seen the stockholders of the corporation working in the plant?

- No, they don't work there.
- Of course not.

But you all agreed you *had* to work in order to live; now you tell me there are some people who live without working. How come?

- They don't have to work because they own the factory.
- They get profits from the business.

Then there are two groups of people in our society. One group, to which you belong, lives by...? And the other group to which your employer belongs lives by...?

- Working.
- Owning.

(Teacher writes on blackboard)
2 groups
Workers — live by working
Employers — live by owning

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Have you always had work?

- Yes.
- I was laid off for five months once.
- My factory was closed during the depression for over a year.

Mary says her plant was closed down for over a year. But she works in a textile mill. Didn't people need the shirts her mill turned out? And Henry's refrigerator plant, he tells us, was shut down for five months; didn't people want refrigerators any more?

- Sure, people needed shirts but they couldn't pay for them because they didn't have any money, so the boss had to shut the mill down.
- When Henry's boss couldn't sell his refrigerators, he closed the plant.
- If I were him I'd have done the same thing. He's gotta make a profit or he must go out of business.

You mean to say that even though people needed shirts and wanted refrigerators, unless the owner made a profit, he closed up?

- Yes, he's in business to make money.
- If he doesn't make money, he shuts down the plant.
- It doesn't matter if he's a good guy or bad guy, unless he makes a profit, he has to close up.

What you are saying, then, is that in our system of production, goods will be produced only if there is a profit?

- That's right.
- Unless there's a profit, there's no production.

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Was that always true?

- Guess so.
- No, there was a time when people made what they needed for themselves, when they needed it.

Why don't they make shirts, and refrigerators, and washing machines, and autos for themselves now?

- Don't have the money.
- You need factories and raw materials and expensive equipment to make the things people want nowadays.

Lets sum up what we have discussed so far. You say that in our system of production there are 2 groups (teacher points to blackboard):

Workers—live by working
Employers—live by owning

The employers live by owning (teacher writes on blackboard)

The employers own:

the factories
equipment, machinery
raw materials

the means of production

The employers own what is necessary to produce goods in our society. This system of production is called (teacher writes on blackboard)

CAPITALISM
Object—not to produce goods as needed
but
to make a profit

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Now lets continue. The owners of the means of production, the employers, are also called capitalists. Which of the two groups, workers or capitalist have more power? Why?

- The bosses have the most power because they have more money.
- The capitalists have the most power because if they don't give you a job, you can't pay your bills.
- The capitalists have the most power because if you don't work you starve, if they don't work they've go enough money to live on.

What gives them more power?

- They own the means of production.

Which group has the most power with the government? Let me answer that question by reading a quotation from a book written a long time ago: "The facts of the situation amount to this: that a comparatively small number of men control the raw material of this country; that a comparatively small number of men control the water power...that the same number of men largely control the railroads; that by agreements handed around among themselves they control prices, and that same group of men control the larger cedits of the country....

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The masters of the government of the United States are the combined capitalists and manufacturers of the United States."

The man who wrote that was in a position to know. He was the president of the United States when he wrote it. His name was Woodrow Wilson.

In our next lesson, we will discuss what the working class can do to protect itself from the power of the capitalist class.

It is apparent from this lesson that a discussion does not mean merely aimless talk leading here, there, and everywhere. The good teacher must know his subject as well as the lecturer; he must have the same mastery of his material but, in addition, he must give thought to the best ways of presenting it in terms of the experience of his students. He must have a lesson plan. This does not mean such strict adherence to his plan that he won't be quick to pick up and pursue this or that interesting point arising from the students' response—but it does mean that he must not be sidetracked indefinitely. His lesson must have a beginning, a middle, and an end. He must know before the discussion begins the basic points he is going to make and he must make them.

A key point to remember is that the discussion must never be allowed to become a dialogue between teacher and a student with the other students feeling that they need not listen until a question is directed specifically to them. The students must listen carefully to other student responses as well as to teacher questions. There are techniques for establishing this continual participation. "Do you agree with what John just said, Philip? No? Then what's your answer to the question?"

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In this connection, the good teacher never makes the mistake of calling upon students in order. When the first question is directed to Student A, the next to Student B, and the next to Student C, there is no need for Student Z to pay any attention because he knows precisely when he will be invited to participate; until that moment arrives the discussion can become irrelevant to him.

There is an even more important reason for not calling upon students in a set order. The good teacher is concerned less with subject matter than with the people he is teaching. He wants them to learn to think. If he is alert and has done his job well, all the students will have participated in the discussion before it is over and he will then be aware of their background and capabilities. He will *know* his students, and consequently he can direct questions to them in accordance with their varying ability. The easy questions will go to the less able students—it is important for them to get a feeling of accomplishment—and the more difficult, more subtle questions will be directed to the brighter students—they must be extended to the utmost or they will lose interest.

The good teacher never teaches a lesson without using the blackboard, and he should insist that the basic points he writes on the blackboard should be recorded by the students in a notebook, along with other notes they choose to take themselves. There is a sound reason for the blackboard and the notebook: some people learn by hearing; some people learn by seeing; some people learn only by using their muscles; and almost everybody learns best by a combination of all three. Thus, the discussion itself will be suited to those who learn by hearing; the basic points on the blackboard will help those who learn by seeing; and writing in the notebook will drive the points home for those who must use their muscles to learn. The notebook with the fundamentals of each lesson therein recorded will be of use to the student for review purposes and, for the brightest ones, it can become a tool for teaching others when the need arises. And the need already exists for more classes for workers, newcomers to the radical movement, and peasants in the underdeveloped countries.

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CORPORATIONS AND CITIZENSHIP

by PADDY IRELAND

Corporations are currently attracting more than the usual amount of attention from the Anglo-American left. At first glance, this might appear simply to be a product of "downsizing," stagnating wages and growing job insecurity coupled with spiraling profits, remuneration of top executives, and share prices. Markets cheer as jobs disappear. But on closer examination it is clear that there is more to it than this, for corporations are being presented by some on the left as potential vehicles for progressive social and economic reform. The principal manifestation of this phenomenon has been the emergence of the "stakeholding" conception of the company, an idea which originated in the United States but which has since risen to prominence in Britain. More recently, it has also taken the form of growing support for the notion of "good corporate citizenship." The arguments are simple. Companies, it is said, need not and should not be operated solely in the interests of their shareholders. Changes in law and business culture could and should be made to ensure that in their decision making and policy formulation they take account of the interests of not only shareholders but all those with a "stake" in their activities, including employees, suppli-

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ers, consumers and the community at large. Herein, it is suggested, lies a route to a more humane capitalism.

In the United States, the vanguard is headed by Robert Reich, the former Secretary of Labor and supposed liberal conscience of the Clinton administration. In search of more socially responsible corporate behavior, Reich has urged firms to stop relying on overseas suppliers who pay workers very low wages and provide inhuman working conditions; to increase investment in their workforces, and to stop abandoning their employees and communities. To this end, he has proposed tax cuts for corporations who treat their workers well, an idea which has attracted support from Senator Edward Kennedy as well as of more conservative Democrats such as Jeff Bingaman and Richard Gephardt. Reich's hope is to appeal to widespread anger at the brutality of corporate employment policies. That arguments of this sort might strike a rich political vein was vividly illustrated early in 1996 during the campaign for the Republican Presidential nomination when the right-wing populist Pat Buchanan far outdid the always deferential Reich in attacking corporate greed, privilege, and callousness. By the time of the New Hampshire primary even Bob Dole was beginning to twitch, reminding everyone that while corporate profits were breaking records, so too were corporate layoffs. After a brief scare, the dominant parties restored their pact not to discuss significant political issues, dropped the subject, and got on with the electoral charade.

If in the United States the arguments were framed in the briefly fashionable language of "corporate citizenship," in Britain it is the idea of "stakeholding" which has taken root. Both the Trades Unions Congress and the "New" Labour Party of Tony Blair, as well as influential left commentators such as Will Hutton, have endorsed the adoption of a stakeholder conception of the company. This agreeable tune has even begun to attract the support of some in business. The final report of the Tomorrow's Company inquiry, organized by the Royal Society of Arts and supported by a number of large corporations, wholeheartedly endorsed the merits of an "inclusive" conception of the company. While the precise impli-

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cations of these ideas have been left carefully unclarified, they have already proved too much for Blair and "New" Labour who, anxious not to offend capital, have curbed loose talk of stakeholding. Nonetheless, it is clear that for some on the left these notions continue to arouse the warm, moist vision of a more democratic, participatory, and "socialized" business enterprise and a less brutal capitalism. In this article, I want to cast a critical eye over the radical potential of both stakeholding and good corporate citizenship.

Corporate and Managerial Autonomy

Whether cast in terms of stakeholding or citizenship, these strategies are premised on the idea that companies and their shareholders are not synonymous. In other words, they seek to build on the perceived autonomy (or partial autonomy) of companies from their shareholders, suggesting that it can be exploited to ensure that companies are not run exclusively in the shareholder interest. While the language currently being employed is relatively new, neither the strategy nor the idea of corporate autonomy which underlies it is. On the contrary, both have lengthy pedigrees.

The belief in the autonomy of large companies from their shareholders can be traced to two principal sources: the legal doctrine of separate corporate personality, and the separation of ownership and control in the (at least) day-to-day operation of virtually all significant modern companies. One of the cornerstones of modern company law, the doctrine of separate corporate personality asserts that the company or corporation has an entirely separate legal existence from that of its shareholders; that they are completely separate. This radical separation is most vividly reflected in the fact that shareholders are allowed no direct proprietary rights to any part of a company's property, only rights to their shares. With the development of the modern doctrine of separate personality, "the company" appeared to emerge as an essentially neutral and empty vessel, in principle indifferent to any particular interest. Henceforth, any identification of companies with their shareholders was contingent, a product of the fact

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that various legal rules—such as those concerning the duties of directors and those giving shareholders control of company General Meetings and the right to appoint and dismiss directors—theoretically ensured that companies were both controlled by and operated in the interests of their shareholders. The significance of the alleged growing separation of ownership and control was that it called even this contingent link into question.

The potential significance of the functional division of ownership and management in joint stock companies had been recognized by commentators as diverse as Adam Smith, Karl Marx and Thorstein Veblen. The contribution which sparked the so-called "separation of ownership and control" debate, however, was Adolf Berle and Gardiner Means' *The Modern Corporation and Private Property*, first published in 1932. Berle and Means argued that with the dispersal of shareholdings, the control of large corporations was inexorably passing into the hands of managers; that the autonomy of the corporation from its shareholders was being supplemented by the autonomy of corporate managers from shareholder control.

There has, of course, been continuing debate about both the empirical accuracy of Berle and Means' findings and the conclusions to be drawn from them. Some have supported their claim that the control of many large corporations has passed from owners to managers. But even before the market for corporate control reached its full development in the overheated financial markets of the last decades, some had argued that managerial shareholding and concentrations of share ownership, particularly by financial institutions, sufficed to ensure significant ownership influence. Others argued that even if shareholder control has been de facto undermined, its impact on corporate policy and behavior has been minimal because class based commonalities of interest and interlocking directorships render relatively insignificant the functional differentiation which has taken place. Still others have argued that the issue is largely academic because of the external disciplines placed on managers by the various markets (apart from the market for corporate control itself) in which their

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organizations compete. In any case, by casting doubt on the effectiveness of the mechanisms guaranteeing shareholder control of corporate affairs, the debate left a question mark over the claim that companies, already entities with an entirely independent legal existence, are, or need to be, operated exclusively in the shareholder interest. But then, in whose interests are they in fact operated?

Managerialism and the Socialization of Capitalism

In the post-war period, so strong was the belief in corporate and managerial autonomy that many came to believe that both companies and capitalism were being transformed. Freed from effective shareholder control, it was argued, the managements of many large public companies were no longer compelled exclusively to pursue the shareholder interest. The plausibility of this argument was strengthened by the increasingly popular view that the external economic constraints on management, the disciplines imposed by competitive markets, had themselves been undermined by growing oligopolization and monopolization. No longer forced to maximize profits by the processes of shareholder control internal to the company, nor by the constraints of the marketplace external to it, company managements, it seemed to follow, were increasingly free to select their own goals. In the 1940's and 50's, these ideas provided the basis for the rise of "managerialism," the intellectual precursor of the contemporary notions of stakeholding and corporate citizenship, and itself the basis for a range of "left" political strategies for reforming or, in some versions, transforming capitalism. The rise and fall of managerialism offers some salutary lessons to its modern successors.

Managerialism had a descriptive and a prescriptive dimension, addressing the question of the interests in which companies were actually being run and the question of the interests in which they should be run. Some managerialists argued that managers were already pursuing, and would continue to pursue, their own self-interest. These "sectional" managerialists suggested that managers would pursue goals

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such as sales revenue maximization, asset growth, and personal financial reward. Indeed, the best known sectional managerialist work, James Burnham's *The Managerial Revolution*, published in 1941, went even further, arguing that with their control of the economic resources of society, managers would emerge as a new ruling class and that both capitalism and socialism would be superseded by a new "managerial society." The version of managerialism which came to predominate, however, saw managers as balancing a range of competing interests in their decision-making. According to these non-sectional managerialists, managers either already did, or could be made in the future to take account in their decision-making of the interests not only of shareholders but of employees, consumers, and society at large. As early as 1926, John Maynard Keynes had written of the "tendency of big business to socialize itself," arguing that as shareholders became dissociated from companies, managers, wishing to "avoid criticism from the public and customers" were likely to be more concerned with "the general stability and reputation of the institution" than with "maximum profit," forcing shareholders to accept "conventionally adequate dividends." But while Keynes surely favored managers over shareholders and (especially) bondholders, he was acutely aware that ultimate control could not be left to unofficial public criticism. Progress, he wrote at that time, "lies in the growth and the recognition of semi-autonomous bodies within the State...subject in the last resort to the sovereignty of the democracy expressed through Parliament."

The lesser thinkers, Berle and Means, offered support for the view of big business "socializing" itself. Writing during the slump and concerned by what they saw as the legitimation problems generated by the emergence of powerful and unaccountable business managers, they advocated the development of "a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity." By the 1950s, Berle believed that directors no longer ran enterprises for maximum

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profit, but were, in fact, "administrators of a community system." The traditional safeguard against company mismanagement—accountability to shareholders—had in his view been supplemented by the development of a "corporate conscience" enforced by public opinion. Indeed, fueled by the low unemployment and rising prosperity of the post-war boom, non-sectional managerialist views of this sort became increasingly commonplace, generating the idea of the "socially responsible" or "benevolent" corporation. "No longer the agent of proprietorship seeking to maximize return on investment" wrote Carl Kaysen in 1957, "management sees itself as responsible to stockholders, employees, customers, the general public, and, perhaps, most important, the firm itself as an institution." The modern corporation, Kaysen concluded, was "a soulful corporation." In Britain, it similarly became common for the representatives of business to declare that industry owed duties to employees, consumers, and the nation as well as to shareholders. By 1973, even the Confederation of British Industry was suggesting that while a public company must pursue profit, it also had to act like "a good citizen in business."

Implicit in these claims was the belief that capitalism itself was irrevocably changing. The powers of property ownership, it was then being suggested, had been eroded and a new class of neutral, disinterested, and socially responsible managers was emerging. The capitalist, it seemed, was going out of capitalism. Berle himself began to refer to the modern American business system as one of People's Capitalism or Collectivism, and in Britain similar ideas found expression in the work of the Labour Party intellectuals, John Strachey and Anthony Crosland. Strachey argued that in the wake of the decline in competition, growing state intervention and the "managerial revolution," the laws of development which had characterized "the older stage" of capitalism no longer fully applied. The "very largeness and fewness" of the companies which now dominated the economy had partially released them from the invisible hand of competition. Managers "were [no longer] conducting...enterprises in the same manner, or

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wholly with the same objects...." We were entering "the last stage of capitalism." From similar foundations, Crosland went still further. Using "a historical definition," he argued, it was "manifestly inaccurate to call contemporary Britain a capitalist society." Others, of course, were (quite justifiably) less convinced. Paul Baran and Paul Sweezy, for example, agreed that competition, which had been the predominant form of market relations in the nineteenth century, had been replaced by monopoly and oligopoly, and that the economy was now dominated by huge enterprises able to control prices, the volume of its production, and the types and amounts of its investments. But though Baran and Sweezy also accepted the thesis of a high degree of separation of ownership and control, they saw top managers in fact functioning as the protectors and spokesmen for *all* large scale property. The so-called managerial revolution had not, therefore, fundamentally changed corporate behavior. These refutations were echoed by the New Left in Britain, who argued that while the form of capitalism which had emerged was new, the working of the market mechanism had not been significantly modified: the ultimate goals—"the accumulation of capital and the making of profits—were unchanged." Despite these doubts, the political influence of managerialism among left intellectuals was considerable. It seemed to some that managers were already transforming capitalism and that it was, therefore, rather conveniently no longer necessary to resort to the cumbersome formality of public ownership of the means of production to achieve socialist objectives.

In this context, some on the left came to see worker representation and industrial democracy as the keys to social transformation. If the corporate form was essentially neutral to the conflicting interests of capital and labor, it was argued, socialist objectives could be achieved merely by increasing technological and managerial rationality and influencing managers in their choice of policy objectives. To the extent that the character of companies was determined by who formally controlled them, the composition of company boards appeared to be a, if not the, crucial issue. In Britain,

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the labor movement split over this issue, with some making worker participation a major plank in a political strategy to move gradually to socialism by democratizing firms, while others argued that it was merely another mechanism of incorporation and discipline. In 1974, the T.U.C., previously as averse to the idea as business, finally came out in favor of worker participation and three years later, the debate reached its climax with the publication of the government's Committee of Inquiry on Industrial Democracy, the Bullock Report. Unequivocally basing itself on the double assumption of corporate and managerial autonomy, Bullock argued that the "managerial revolution" had concentrated power in the hands of managers who were increasingly free to choose their own objectives. Accordingly, the Report targeted Boards of Directors, the agents of these autonomous and potentially neutral corporate entities, proposing the appointment of equal numbers of worker and shareholder representatives on the boards of large companies. Following bitter opposition from industry, however, the moribund Labor Government quickly retreated. In the 1980s, as the market and finance capital reasserted their authority in the phase we are in to this day, interest in the will-o'-the-wisp of worker participation evaporated in the face of Thatcherite reality, and managerialism all but disappeared.

Reconceptualizing the Corporation

Despite the rhetorical shift, contemporary ideas of stakeholding and citizenship have a similar foundation to managerialism, seeking (despite the evidence of the "hostile takeovers" of the 1980s) to build on the perceived autonomy of companies from their shareholders. The modern corporation, the influential organizational and management theorist Charles Handy has recently written, is an "existential company" with "a life and future of its own," an "end in itself not an instrument owned by others." As shareholders are not in law the owners of the company's assets, merely the owners of shares, companies lack "purpose and direction." They have to develop their own "sense of identity." The satisfaction of

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shareholders (mere "financiers") is, Handy says, a corporate requirement but not a corporate purpose. Profitability may be essential for "continued existence and growth," but it is "not, in itself, enough," begging the questions "for whom? and for what?" Companies, he concludes, need to be "reconceptualized" as "communities with members, communities which need customers, suppliers, financiers and community support if they are to survive and prosper in the interests of all." The questions begged by Handy are "what is capitalism?," and what, if anything, has been learned about purported "managerial autonomy" in the last twenty years?

Generally speaking even the more radical advocates of stakeholding and corporate citizenship are more modest in their ambitions than their sublimely optimistic managerialist predecessors. They readily recognize that "market disciplines" impose major constraints on the reformist project. It is not, therefore, suggested (as it was by some managerialists) that corporate and managerial autonomy can be exploited in such a way as to transcend capitalism. On the contrary, capitalism is treated as an inevitable given. The question is not whether capitalism should be replaced by socialism, or the market by democratic planning, but what kind of capitalism should be embraced. For most of its supporters, therefore, the adoption of a stakeholder conception of the company or an insistence on good corporate citizenship offers only a comforting gloss on the fundamental abandonment of any hope of a significant transformation of a brutal reality.

The idea that the corporation can be "reconceptualized" in a socially progressive manner nevertheless continues to lie at the heart of both stakeholding and corporate citizenship theory, especially its more radical variants. Indeed, within Anglo-American legal academic circles in particular, this idea has attracted considerable support. Aware of the growing limitations of collective bargaining and of traditional labor law strategies for promoting workers' interests, but with little or no conception of the underlying laws of motion of capitalism, radical labor lawyers have increasingly turned their attention to companies and company law in search of changes

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which would somehow force company executives to be more attentive to the wider social interest in corporate activities, and even give employees more voice in strategic corporate decision-making.

In this context, a distinction is often drawn between an Anglo-American and an (idealized) German and Japanese conception of the corporation. In both America and Britain, it is argued, corporations tend to be seen as private bodies defined by a set of relationships between shareholder principals and manager agents; company and shareholders are seen as essentially synonymous. In continental Europe and Japan, on the other hand, a more realistic view is said to be taken, one which recognizes the large corporation as a public institution with a personality, character, and aspirations of its own; as an entity with a life independent from its shareholders or stakeholders. Correspondingly, it is claimed that in these jurisdictions managers are inclined to view the development of the company as an end in itself and that corporate objectives are quite properly thought to encompass the interests of a wide range of stakeholder groups. Corporations are purportedly perceived as social institutions with social responsibilities. In more specific legal terms, it is argued that Anglo-American law, by embracing a principal-agent conception of the company in which managers are meant to maximize "shareholder value," fails fully to recognize the reality of the company's autonomous existence. The idea that directors are the agents of shareholders needs to be abandoned and replaced by a trusteeship model of corporate governance in which Boards of Directors are regarded—and regard themselves—as the trustees of the tangible and intangible assets of the corporation, including the workforce and its skills. These notions wholly ignore the very real control of most German and Japanese corporations by universal banks (in Germany) and groups organized around banks and trading companies (in Japan). But this view never truly intended to reflect really existing capitalism. In this context, the recent (re-)emergence of the notion of corporate citizenship represents some concession to capitalist reality compared with the truly Elysian

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stakeholder ideal. Advocates of good corporate citizenship do not propose that companies be radically "reconceptualized." They argue, rather, that companies are private institutions, albeit ones with important public obligations which need to be recognized and enforced. As in managerialist theory, corporate managers are targeted as those thought to be largely responsible for determining the direction of corporate policy.

The Corporation and Capital

The central weakness of all these proposals is that they are based on, at best implausible, and at worst false, presuppositions about the world in which the corporation exists. The fact that "the company" is in a formal (but not therefore insignificant) sense autonomous from its shareholders is noted. It is, however, then assumed, without more ado, to make possible more socially responsible corporate behavior. Neither the historically determined nature of "the company," nor of its autonomy from shareholders, are properly scrutinized. As a consequence, the real potential and limits of the strategy are never seriously explored.

That the individual capitalist as owner, manager, and financier might disappear from the process of production was recognized by writers as diverse as Adam Smith and Karl Marx, both of whom saw it as a possibility inherent in the joint stock company form of organization. Marx in the unfinished chapters 23 and 27 of Volume III of *Capital* set out several important distinctions and trends that are in the first case still useful, and in the second prophetic. Even the individual capitalists of his time performed two clearly distinguished functions: the contribution of funds, a role undertaken by "money capitalists," and the productive utilization of those funds, a role undertaken by "industrial capitalists," roles distinguishable even when performed by the same person. A second fundamental distinction is between wages of management and profits of enterprise, both of which were appropriated by the primitive "industrial capitalists." Development of credit engenders the stock companies, which make possible an enormous expansion in the scale of production and of enterprises. The ten-

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dency of the stock companies is to separate the work of management from ownership. And since money capital also assumes a social form as it comes to be concentrated in banks, and since in the stock company the industrial manager has no title to the capital he employs whether borrowed or not, "only the functionary remains and the capitalist disappears as superfluous from the production process." But while this contradiction between the ever more clearly social form of capital and private wealth rationally presages a transition to a new form of production, the capitalist stock companies resolve the antagonism "negatively." It preserves the antagonists, but does not transcend the antagonism.. That this resolution by means of the joint stock company is negative is marked by its effects: "It establishes a monopoly in certain spheres and thereby requires state interference. It reproduces a new financial aristocracy...a whole system of swindling and cheating by means of corporation promotion, stock issuance, and stock speculation. It is private production without the control of private property."

The separation of company from shareholders effected by the doctrine of corporate personality emerged as a historical product together with the process Marx described and predicted. At first, the joint stock company was conceptualized not as a reified entity emptied of shareholders but as those shareholders merged into one legally distinct body. Thus, the early-mid nineteenth century company was regularly referred to as a "they." But in the second half of the nineteenth century this changed. Companies were conceptually cleansed of shareholders, and came to be understood as they are today both in law and in common usage as independent entities in their own right. The company was now an "it," emptied of shareholders. The share of stock in the first phase was conceptualized as an equitable interest in the assets of a company and denied an existence as property in its own right; shareholders were seen as the owners in equity of corporate assets. Shares were often of large denomination and markets for them thin and illiquid.

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The coming of the railways in the period after 1830 transformed the nature of the joint stock company share in both economic reality and law. Railway companies involved huge amounts of capital by previous standards and with the massive increase in the number of (smaller denomination) shares that they brought, there rapidly emerged a sophisticated market for them. By 1850, shares had become readily marketable commodities, liquid assets, titles to revenue easily converted by their holders into money. Shareholders could now recover their capital in money form at any time by simply selling their shares in the marketplace. In the words of Rudolf Hilferding, the share market "endowed shares, which the individual [could] now readily realize, completely with the character of money capital." It was this qualitative change in the nature of the share that was primarily responsible for the dramatic changes in the conception of the joint stock company. Unlike shares in smaller partnerships and family firms, shares in joint stock companies were now readily marketable and capable of being sold without restriction and without damage to the association. They could be realized as money in the share market without liquidating the assets of the company or winding up the concern. Moreover, with the emergence of this market, shares developed an autonomous value of their own quite independent of, and often different from, the value of the company's assets. Both shareholders and their shares were now unequivocally located not in the sphere of production but in the sphere of circulation where titles to revenue were bought and sold. There, of course, they have remained.

This generated the changes that occurred at this time in the perception of companies. As shares emerged as legal objects in their own right, there were now two quite separate forms of corporate property: the assets, now owned by the company and by the company alone; and the intangible share capital of the company, now the sole property of the shareholders. With this, a legal space emerged between the company (the owner of the industrial capital assets) and its shareholders (the owners of the money capital shares). This

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process corresponds precisely with the development, as presaged by Marx, of the ever more clearly social form of capital in antagonism with the continued private appropriation of profit. It is this, of course, upon which stakeholding and citizenship theories uncomprehendingly seek to build.

As this suggests, the autonomy of the corporation is a material reality rather than a legal fiction. It is also significant. "The company," as the sole owner of the assets, has, in effect become the personification of industrial capital, while shareholders, as the sole owners of the shares, have been constituted as (more or less) pure money capitalists. Recognizing this, one can better grasp, inter alia, the distinction between the share value of a company as determined on the Stock Market and its asset value, a distinction which underpins so-called "paper entrepreneurialism" or what used to be more pejoratively called "asset-stripping." The success in the 1980s of the "paper entrepreneurs" reflects the reality that Marx predicted. Top executives, even (in fact, especially) when they operate their company free of debt, are now liable to be swiftly replaced when asset value substantially exceeds share value. The benefits will go, as they have since the early 1980s, in largest part not to shareholders but to a financial aristocracy of private bankers (and secondarily their lawyers) operating this period's massive system of stock speculation. Thus, there are, as stakeholders argue, differences of interest between "the company" and its shareholders—between policies aimed at securing the long-term productive use of a block of industrial capital assets and policies aimed at the maximization (within a necessarily short time period) of the return on a money capital investment. But can these differences be exploited in the radical way proposed? It seems highly unlikely. Ultimately, both the return on the share and its fictitious capital value are determined by the surplus generated by the productive utilization of those assets. Despite the divergences of interest, therefore, the autonomous, reified company is not, and never can be, an empty or partially empty vessel. The capitalist may have disappeared from the company and production process both as shareholder and manager, but capital

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itself has not. No amount of fiddling with business culture or company law—whether it is with the fiduciary duties of directors or with the structure and composition of company boards—can change this. This follows from more than the threat of failure through competition with other companies. If managers fail to realize the prevailing rate of exploitation of their workforce, or reward middle and lower managers at higher than prevailing rates, or are too "soulful" in their concerns for their communities, suppliers and so on, the "paper entrepreneurs" await, with (as proved by the events of the 1980s) the full force of the judiciary on their side.

In short, there are very strict limits on the extent to which the autonomy of "the company" from its shareholders can, while capital stands supreme, be exploited for the benefit of workers or other stakeholders. The autonomous company arose in response to the development of the fully social nature of capital, and is constrained by its laws of motion.

To a limited extent, this is recognized by those seeking more socially responsible corporations, for they are generally well aware of the need to satisfy shareholders and the constraints imposed by global markets and international competition. Room for manoeuvre is sought in the interstices of the market's imperfections. "If the relations between market and organization are defined by conditions of perfect competition," writes the legal theorist Gunther Teubner, "co-determination [industrial democracy] does not matter," because "the constraints of the market on the organization are so strong that there is only one best solution." Under imperfect market conditions such as "concentration [and] oligopolization those constraints become weaker and management gains a considerable discretionary power in its decisions." It is this discretionary power, he argues, that "gives a limited justification to the liberal and leftist critique." Unfortunately, however plausible it was in 1960, the view which animated managerialism—that the increasing concentration and centralization of capital had undermined the rigors and authority of competition, and that this had transformed the company into a tabula rasa, greatly increasing the discretionary powers of manage-

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ment—seems hopelessly out of touch in the real world of today. As Marx predicted, the development of monopoly in certain spheres went along with the reproduction of a new financial aristocracy fully prepared to batten on the share market as a market for corporate control. Price competition in the product markets, still important for many companies, has over the last twenty years been massively supplemented by other, equally coercive forms of competition in the capital and share markets. In short, not only do stakeholder models of the company and appeals to good corporate citizenship misunderstand the nature of the company and of its autonomy from its shareholders, they seek to exploit a managerial discretion which is progressively shrinking.

In Search of a Less Degenerate Capitalism

Paradoxically, the very structural constraints which make stakeholding and citizenship such unconvincing strategies may also account for their current popularity. As capitalism penetrates every nook and cranny of social life and the constraints on its ruthless logic are loosened, its dominance, intellectual as well as material, has grown. The structural constraints of the rule of capital become part of the taken-for-granted, to be worked around as best as possible. In this context, the rise of ideas of corporate stakeholding and citizenship is merely one example of the dramatic lowering of radical political ambition. It used to be the left who emphasized the limits to capitalism and the right who told us of its adaptability. Now, however, it is the right, believing themselves liberated from the credible threat of class struggle worldwide, who candidly stress the incompatibility of workers rights and welfare states with the elementary laws of capital (presented, of course, as "natural"), while the (erstwhile) left is reduced to insisting on the malleability and improvability of both capitalism and its corporations. The conclusion is hard to resist that these attempts to legislate changes in corporate behavior are inspired less by optimism and a positive vision of a better future than by fear and a desire to try to hold onto the comfortable franchise of pre-1980 "left" reformist political

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intellectuals; that these attempts represent a rearguard action to keep peddling the damaged goods of a "social market," a capitalist market with a human face.

In the unchained capitalism of the 1990s, corporations are governed by the disciplines of the markets, including the market for corporate control, in which near total power has been concentrated (by class warfare "from above") in a political manoeuvre disguised as the operation of natural law. It is, therefore, difficult to refute Ellen Wood's assertion that it is not merely new forms of industrial organization that we neèd, but a "new driving mechanism, a new rationality, a new economic logic" to replace the capitalist market, however difficult that might be to imagine let alone achieve. Without addressing the question of the growing dominance of material and social life by the capitalist market and its imperatives, reconceptualizing corporations or insisting on good corporate citizenship are doomed to failure. The joint stock corporation, as Marx foresaw, evolved as the most convenient and flexible form of capitalist rule. It achieves the negative resolution of the antagonism between the character of wealth as social and as private, and is therefore an obstacle to the further transition to a more advanced mode of production. If, as Wood suggests, there is "an irreducible contradiction between the regulatory functions of the market and its capacity for socialization," she may also be right when she argues that the lesson to be drawn from our current economic and political circumstances may well be that a humane, social, truly democratic and equitable capitalism is more unrealistically utopian than socialism.

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THE HISTORY OF CLASS STRUGGLE: FROM ORIGINAL ACCUMULATION TO NEOLIBERALISM

by KEES VAN DER PIJL

It has become conventional, even on the left, to believe that the days of class struggle are over. That conviction has, of course, been strengthened by the demise of the Soviet bloc, which capped a protracted defeat of left-wing forces the world over. The idea that there could still emerge a collective subject striving for socialism is rejected in the face of advancing individualization and fragmentation, the contradictory but "successful" functioning of capitalism (the "market economy"), and the apparent exhaustion of all alternatives to it.

The December 1995 movement in France, followed a year later by a truckers' blockade in which the Juppé government did not dare to intervene for fear of a general social explosion, flies in the face of such conclusions. Can we, however, really speak of a class struggle in these (and comparable) social protest movements? This is the question I want to address in these notes.

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The Discipline of Capital and Class Struggle

Class formation occurs wherever humanity's interactions with nature take the form of social relations between those who produce and those who appropriate what others produce. In this broad sense, all past history is the history of class struggles, as Marx and Engels claimed in the *Communist Manifesto*.[1] But something more needs to be said about the specific nature of class formation and struggle in capitalist society.

Let us first establish that, contrary to capitalist ideology and standard economics textbooks, capitalism is not a universal, eternal, transhistorical system which has always existed at least in embryo or in the depths of human nature. Acts of exchange, and even markets of one kind or another, may have existed throughout recorded history. But the subjection of society to the *disciplines* of the market, to the *imperatives* of competition, capital accumulation, and increasing labor-productivity, is historically specific, relatively recent, and has required profound and painful social transformations.

Capitalist ideology does not generally acknowledge the historical specificity of capitalism and the social dislocations that were required to subject human practices and social relations to the logic of capitalism. We may take up any economics textbook and read how the market economy ideally works, but we will usually look in vain for the prehistory of capital, the way it penetrated and transformed precapitalist society, separating people from their means of livelihood and mobilizing social wealth as exclusive private property. If a prehistory of capital is acknowledged at all, it usually takes the form of a Robinsonade, an imaginary world of abstract individuals some of whom decide to start a company. The capitalist economy is seen as a self-sufficient entity obeying its own specific laws as if they were themselves the laws of nature, as if there were no human or natural needs or limits independent of the requirements of capital.[2]

We need not imagine an idyllic pre-capitalist community on which the capitalist vulture descends to prey. But we do need to recognize the enormous transformations that take

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place as capital penetrates to the vital centre of society, as market relations pervade every social practice and nature itself, stamping the commodity form on things, qualities, resources and wealth, and on labor power itself, transforming the labor process and subjecting it to the requirements and rhythms of capital accumulation. And we also need to recognize that this process of penetration occurs not naturally or inevitably but always in conditions of resistance and contestation.

The subordination of society and nature to the reproduction of capital, the imposition of capitalist disciplines, takes place on several levels. In its constant quest for unpaid labor and its constant efforts to raise the rate of exploitation in the actual labor process, capital repeatedly exhausts the available human and natural resources on which it feeds and penetrates ever deeper into its social and natural substratum.

The first level of penetration is *original accumulation*—the process of stamping the commodity form on social relations including production relations. The second is the capitalist *production* process, the exploitation of living labor power in which the technical labor process, with all the human autonomy and creativity that it implies, has to be subordinated to the process of expanding value, the "valorization" of capital. The third is the process of social *reproduction* in its entirety (which I shall call "daily life," to distinguish it from "work"), which likewise has to be subjected to the requirements of capital accumulation. Each of these constitutes its own terrain of resistance and struggle.

Although these three forms of imposing the discipline of capital are intricately connected and the struggles they elicit often overlap, their main impact follows a chronological order. Obviously, original accumulation is primarily a phenomenon of the early history of the capitalist mode of production (although this history is still just beginning in, say, West Irian). As to the other two, the subordination of the labor process to capital and the subordination of the process of social *re*production mutually condition each other, but the

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deep penetration of capital into the latter sphere is the more recent phenomenon.

In what Marx calls the *formal* subordination of labor to capital, which subjects the worker to capital but leaves the labor process itself fundamentally unchanged, the reproductive sphere—the sphere in which the worker recovers from the effort of work—remains relatively intact and non-commodified. Under conditions of what Marx calls *real* subordination, not only is the labor process transformed to meet capital's requirements for increasing labor-productivity, but even the reproductive sphere has become increasingly subject to capitalist profit strategies and/or to collective arrangements for social protection which are themselves ultimately subsumed under capital's quest for profit. Under these conditions, recovery/regeneration itself becomes subject to commodification and exploitation (from entertainment to tourism and other leisure industries); and this, paradoxically, accelerates the eventual exhaustion of the social and natural substratum that sustains reproduction. On a global scale, the struggles resulting from resistance to this exhaustion are a recent phenomenon. They signal the passing of a phase of industrial capitalism in which capital had a certain interest in preserving the human/social substratum (though not the natural one).

So each of these phases—original accumulation, the transformation of production, and the penetration of capital into the sphere of reproduction—generates its own forms of resistance and struggle. We can call these three types of struggle *class* struggles because the imposition of the discipline of capital can, of course, only come about by the action or collaboration of an interested social group; and this group, the ruling class of capitalists, will draw on the power resources available to it in the state as well as in the sphere of ideas to enforce discipline and restrict dissent to manageable proportions. At the same time, the resistance to the discipline of capital inevitably brings forth experiences and insights that challenge the dominant ideology, shaping an alternative perspective which is likewise collective and rooted in social prac-

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tice. The cohesion of these forces of resistance is much more fragile and fleeting, and as we will see, the form of resistance varies under the three modes of imposing capitalist discipline.

Let us now look at the three different arenas of class struggle.

Original Accumulation and Proletarianization

In pre-capitalist societies, "economic" relations are inseparable from non-"economic" relations, that is, from relations not driven primarily by private gain.[3] In original accumulation, economic relations are "disembedded" from this non-economic social context. Certain aspects of people's lives, ultimately including their labor power, are turned into commodities for the first time. The conflicts involved in original accumulation constitute a first, and usually violent, form of social struggle elicited by capitalist discipline. It has even been argued that this struggle of expropriation/appropriation, and not the regular struggle over wages, is the only real class struggle in capitalist conditions.[4] The very fact of being disinherited from one's more or less independent means of subsistence and the destruction of the entire life-world with which they are entwined, with its natural/traditional timescales and rhythms, drives people to resistance.

Although original accumulation is the earliest stage of capitalist penetration, such processes are still continuing today. The English enclosures preceding the industrial revolution and the contemporary clearing out of Central American peasants to make their land available for commercial agriculture and cattle breeding, in this sense, belong to the same category. The assassination of the Brazilian rubber tapper, Chico Mendez, or of Iqbal Masih, a 12-year-old boy who organized some of the estimated 10 million child-workers under age 15 in Pakistan, and many other instances of extreme "disciplinary" violence, illustrate the severity of the clashes involved.

Original accumulation has effects on the formation of classes, and here too we can distinguish several phases or forms of expropriation and expulsion, appropriation and

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occupation. In its earliest forms, the dominant expropriating classes were likely to be landlords and their capitalist tenants. In other times and places, the relevant capitalist classes might be merchants, and this kind of merchant capital has often assumed piratical, criminal forms—the "robber-baron" of old, or the contemporary ex-Komsomol functionary privatizing the organization's real estate in the former Soviet Union.

On the workers' side, there is also a very differentiated picture. Depending on the varying degrees to which the commodity form is imposed on labor relations, workers may be semi-proletarianized people or hired hands, etc. Wage workers may be employed in a family setting, they may be recruited as vagrants into work-house labor forces, or they may be former artisans and their apprentices dislocated by new forms of factory organization of work, and so on. The different phases of original accumulation, and the deepening control of capital at every stage, have been expressed in various forms of struggle: the early formation of trade unions in response to the destruction of the autonomy of artisans, the Luddite revolt against early mechanization and the laws against combination to quell it, or the resistance to the introduction of Taylorism and Fordism in Europe under the Marshall Plan.

To the degree that original accumulation proceeds in a shock-like fashion, there occurs what sociologists call *anomie.* People subjected to the new discipline experience a loss of normative coherence which creates a susceptibility to new forms of collective consciousness. This normative vacuum, affecting large masses of people who find themselves driven into the unknown, creates the opportunity for intellectual vanguards to try and steer the mass movement towards some new pattern of organized existence.

We can still observe this process today: for example, the Islamist doctrine that triumphed in the 1979 Iranian revolution has a "proletarian" connotation because "Islamic ideology became a substitute for the lost communality of the oppressed masses."[5] Indeed the Iranian revolution has been compared to the Bolshevik revolution, at least in the sense that both found their mass base among "former peasants

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streaming into the city."[6] The great differences between these two cases arise not only from the obvious historical and material differences between pre-revolutionary Russia and Iran but also from the fact that, in cases like these, where an intellectual "vanguard" steps into a normative vacuum, the particular nature of that vanguard has a disproportionate effect on the movement's orientation.

Struggles in Production and the Historical Proletariat

The development of capital beyond its earlier forms into industrial capital goes hand-in-hand with the generalization of the commodity form and the wage relation. Having imposed this *formal* discipline (and continuing, as we saw, to deepen it), capital is now driven by the need to raise the rate of exploitation. The discipline of capital here means that the technical labor process is subordinated to the process of *value expansion* or valorization. Human labor power exists as part of the natural/social substratum on which the mode of production rests. Now, the human capacity to produce tools and food, to have ideas, etc. is turned into a commodity (labor power) which becomes part of the material inputs of capitalist production and accumulation. This drive to transform labor power into a commodity like any other requires a constant reimposition of capitalist discipline on human beings, who are, of course, resistant to commodification in a way that inanimate material objects are not.

This contradictory process is the mainspring of capitalist social development, the contradiction in which its self-movement originates. As Sohn-Rethel writes, "the basic and decisive impulses to social change must be seen as emanating, not from the economics of the profit making process, but from the developments of the labor process evolving under the impact of the profit making process."[7] The replacement of living by dead labor—that is, machinery and work organization—and the changing technical aspect of society which is its result, cannot be understood without understanding this fundamental tension.

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This tension, too, is the source of resistance and struggle in the uneasy mutual adjustment between capitalist discipline and the mental/physical process of work. Worker resistance, mediated by trade union organization or expressed directly, at this stage is directly incorporated into the normal functioning of the capitalist economy. The workers now try to evade the discipline of work because it does not fit with their bodily rhythms and mental make-up or, more positively (but also reflecting a more commodified understanding of work), they merely seek to improve their bargaining position over wages. Employers respond to worker unionization with their own organizations. The relations between the two classes have been more or less regularized, even routinized, in the process of collective bargaining; and in the course of the twentieth century, labor and capital have seemed to engage in a *pas-de-deux* in which wage concessions have stimulated the spread of industrial production, increasing productivity, and an expanding circuit of industrial capital.[8]

By the time this apparently self-sustaining system began to operate on a regular basis, an entire superstructure of unions, cooperatives, and political parties had come into being which lent credence to the idea of a historic *proletariat* amassing its forces for a transition to socialism. Today, especially now that the Soviet bloc has collapsed, there seems to be very little left of the "socialist" vocabulary; but a self-conscious proletariat continues to emerge wherever the first form of class struggle (resistance to proletarianization, or any struggle accompanying original accumulation) overlaps with or still strongly resonates in the second form of struggle "at the point of production" (shop-floor resistance/labor market bargaining). In other words, where people are still going through the initial commodification and subordination to capital, involving a degree of *anomie* as the labor process is socialized, they are more likely to assert themselves as workers *against* capital; because here they experience capital as a visible, alien, and hostile force, rather than as an impersonal, comprehensive, inescapable but fetishized reality which is socially amorphous—not a capitalist class but the "economy," the "market."

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Once the "real" subordination of labor takes place, vanguard radicalism may also tend to subside and give way to regularized bargaining; but this is not so much a question of an ideological shift to the right as it is an expression of the social reality of the bargaining structure. In such a setting, the very nature of industrial organization, and the corresponding "socialized" class relations, mean that bureaucratic routine must to some extent be allowed to replace abstract utopianism. But even so, for capital this "equilibrium of compromises" in the long run undermines the discipline it must impose on the labor process. From the mid-1970s on, neoliberal productivity experts, convinced that lagging industrial giants could no longer afford any such compromises, have agreed with Ross Perot, the computer services tycoon brought into General Motors: companies like GM could no longer tolerate a situation in which "tens of thousands, maybe hundreds of thousands of people...are quite insulated from the harsh realities of the competitive marketplace."[9]

Struggles For Survival

The third way in which the discipline of capital is imposed and resisted has to do with the capacity of the whole social and natural substratum to sustain developed, comprehensive capital accumulation. Here, we are talking about the *reproduction* of labor power in the broadest sense. In the earlier stages of capitalist discipline, the object is first to obtain a hired work-force and then to have it perform its tasks according to the required job descriptions, on time-scales decreed by management, etc.. Now, in the third phase, we are speaking of the conditions—in a fully developed capitalist economy—under which labor power will be available *at all* in the longer term. There is also the question of the earth's resources and the life-sustaining capacity of the biosphere.

The effort of work itself can already lead to such exhaustion that there is no chance of recovery. Japanese production methods in particular have tended to stretch to the limit the total occupation of the personality by the labor process. "The collective work in teams is a method to harness peer pressure

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to the point of nightmare surveillance."[10] *Karoshi*, dying on the shop floor, is the ultimate consequence of this particular way of organizing the labor process, which replaces direct management supervision by "teamwork" to achieve the near-impossible.

Now, the patterns of intensive exploitation and surveillance have gradually penetrated the sphere of reproduction as well. Advanced industrial "lean/mean" production methods are rapidly spreading to this sphere. The industrial-capitalist model is replacing other organizational models of social reproduction, such as those drawn from civil service, church charity, neighborly and family assistance, or other non-industrial sources. After having been standardized by processes of socialization, often under state auspices and in a spirit of social protection, the reproduction of labor power too has become subject to cost-cutting and profit maximization strategies copied from, or directly applied by, private capital.

In this densely organized social economy, time pressures reach a point where no single person can adjust his or her body rhythm to the requirements of the task, and "the sovereignty of [personal] time disappears."[11] Both production and reproduction become subject to a generalized micro-economic rationality modeled on the industrial *just-in-time* pattern. With the division of labor developed to the utmost, the entire social structure is parcellized into units all committed to meeting near-impossible deadlines set by leading global firms. "Standardization" is the core concept, as exemplified by expressions such as "Toyotization of the banks," "McDonaldization of PTT-Telecom," or "lay-days" and "patient logistics" in health care.

Thus capitalist development has reached a stage in which certain discomforts and even extreme pressures associated with "work" are extending into to the broader sphere of reproduction or "daily life," in the sense originally coined by Henri Lefebvre, the social substratum from which labor is recruited.[12] For instance, in the sphere of biological reproduction and communal interactions, older community traditions may survive; but they are increasingly bombarded by the

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stimuli of commodification which are affecting social relations in general.

There is no need to idealize this social substratum; but however impoverished it may be, authentic joy, love, and friendship do survive here. There have been various attempts, in the history of capitalism, to recover the losses suffered in this sphere. So, for example, psychoanalysis has been interpreted as an attempt to rediscover intimacy, self-knowledge, sensuous and emotional satisfaction in a context of social relations one-sidedly molded by commodification.[13] In the 1970s, "flower power" and Eastern religions performed a comparable function, just as "New Age" movements do today. The socialization of the reproduction of labor power in the 1950-1970 era, in the framework of the welfare state, gave rise (in North America and Western Europe in particular) to a vast army of "cadres"—(adult) education, neighborhood, health and welfare, or comparable "workers." Now that these are being made redundant under neoliberal fiscal stringency, "daily life" is further exposed to commodification in the most radical way.

So it is not only the natural substratum of the capitalist world economy that is being exhausted (by destruction, pollution and poisoning, and literally exhausted in the case of fresh-water supplies and agricultural yields). A similar exhaustion is taking place in the social, reproductive substratum, in "daily life" and the regenerative capacity it represents. Perhaps American inner cities are the unfortunate "best" example of what an exhausted society looks like—a society under the ultimate discipline of capital. Here we are seeing something new, something distinct from the old forms of poverty related to original accumulation or the reserve army of labor in industrial society. In a setting stripped bare of non-economic social cohesion, capital caters to the last source of purchasing power, the destitute drug addict. And this social exhaustion is a matter of deliberate capitalist policy, of which the attack on welfare provisions promoted by Clinton's government is the final step.[14]

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All this is taking place in the context of the "neoliberal" strategies which have been adopted across the whole political spectrum throughout the capitalist world. These strategies have introduced their own controls and discplines, including various financial institutions which impose conformity on governments through the mechanisms of credit and debt.[15]

Yet this apparently all-powerful, tightly integrated system of controls does not mean that the discipline of capital over the entire reproductive system is beyond resistance. The many different forms in which society and nature are subjected to the discipline of capital do produce anger and discontent, often exacerbated by the "politics of unpopularity," as governments confront their own populations with unpopular policies in the name of "the economy." Under conditions of extreme commodification and individualization, such discontent often assumes individual, non-political forms—family and street violence, etc. Anger may also be mobilized for violent confrontations, in which people are driven not by opposition to unsustainable development, but by opposition to other social groups and states, expressed in various ways, from racism and xenophobia to conflicts over fishing rights.

But there may be signs that resistance to this global discipline of capital is coming of age. Here, the December 1995 mass movement, against the disciplinary neoliberalism imposed on France by a government committed to meeting the entry requirements of the projected EU monetary union, may be considered the landmark event.[16] This movement capped a longer, and extremely varied series of protest movements and actions the world over which have been interpreted as popular movements against capitalist globalization.[17] Struggles have ranged from Indian peasants resisting the forced introduction of hybrid seeds, to German demonstrators and Greenpeace protests against Shell's planned *Brent Spar* oil rig demolition in the North Sea; from the Chiapas revolt against NAFTA, to the protests of the Ogoni in Nigeria over the destruction of their habitat by the same Shell oil company in collaboration with the country's military dictatorship.

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These struggles are perhaps too varied to be grouped together under a single heading. In our typology, the Ogoni and Indian struggles could, for example, also be considered as instances of resistance to original accumulation, while the French struggles had an element of workplace/trade union resistance. Still, resistance to the exhaustion of the human and natural substratum appears to be the common factor here, joining various forms of resistance into a broader struggle. This is a class struggle against capital precisely because it is not waged from a narrow, corporatist definition of class, but as a popular struggle uniting a broad array of social forces seeking "the fullfilment of tasks set by interests wider than their own."[18] What we are witnessing are new popular fronts against the discipline of capital, against the World Bank and IMF, and ultimately against the governments subservient to them.

This movement can be considered an effort to establish democracy and popular sovereignty, and at the same time a *recherche du temps perdu*, a nostalgia for daily life as people once knew it: a life with its moments of respite and relaxation in familiar surroundings—lunch in the neigborhood restaurant, or a children's party in a park, when food was not yet "junk food," lives were not yet "junk lives," when there was *time* to do things not first ordered by a boss, a work schedule, or the sum total of demands made upon people both at work and at home and in between. This curious combination of progressive and conservative impulses in what is basically a struggle for survival (which incidentally allows the Right to present itself as the champion of dignity and social protection) is evident in the often distorted forms of struggle. In fact, international conflicts over the world's remaining resources, armed posturing by U.S. citizens' militias, and the xenophobic streak on the fringes of the French December movement are all part of the current array of protest movements, however much we deplore their distortions.

Moralistic dismissals of the democratic element in some recent forms of resistance can entirely miss the point. Take, for example, the walk-outs and mass demonstrations in October 1996 against suspected cover-ups and police/government

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laxity towards the Dutroux child pornography network in Belgium. Bourgeois politicians and newspapers debated registration/castration of pedophiles, and others warned against restricting sexual freedoms. But the real issue was that the market demand for child pornography reaching into the highest circles of government has left the people unprotected against this, as against other more reputable instances of "free enterprise." The fact that Belgian industrial workers participated *en masse* in the walk-outs was explained by a Louvain sociologist as a protest over the failure of the judiciary to act against the appalling neglect of work safety regulations.[19] The point, of course, is that social protection and a protective society are simply not good for profits.

The ruling class attitude is nicely captured by *Business Week* (Sept. 9, 1992): commenting on what it saw as a dangerous turn in the 1992 Republican presidential campaign towards a "Father Knows Best" lifestyle (proposals for rehabilitating drug addicts, increasing police forces, and encouraging parents to take care of their children), it issued a warning under the title, 'You Want 'Family Values?' They'll Cost Billions."

Exhaustion as a Limit to Capitalist Discipline

Capitalism may have failed to conform to economic equilibrium models and what they tell us about ideal rates of exploitation; but up to now, such failures have constituted only a temporary limit on capitalist accumulation. By means of technical restructuring or spatial expansion, capital has been able to respond, with greater or lesser success, to pressures on the rate of profit, overproduction and underconsumption and related disproportions. If worse comes to worst, the capitalist class may resort to violence to impose discipline, by repression or war. What may have looked to some in recent decades like a terminal decline of capitalism may not have been halted as effectively as other crises in the past; but there has nevertheless been a continuing advance of commodification and capital accumulation, on a truly global scale and at

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an unprecedented rate of exploitation of the social and natural substratum on which the mode of production rests.

But if capital still has room for manoeuvre and space to grow, we may be approaching a new kind of crisis, a new kind of limit, in *the capacity of nature and society to support its discipline.* In addition to the exhaustion of natural resources, which has been a recognized possibility since the early 1970s, we must take into account that capital at some point may also come up against another kind of limit, a limit on its capacity to mobilize and appropriate its *social* substratum. As Rainer Funke argued in an article published posthumously in 1978, the capitalist mode of production is still growing, but the moment of crisis is becoming manifest in what he calls "the mounting incapacity of capitalism to 'grow into' an existing infrastructural basis"[20]

We have already seen some manifestations of popular resistance to capital's increasing penetration into its social substratum, to the growing insecurity of work, the erosion of social provision, and so on. Of course it remains to be seen what the social reverberations of the French and other mass movements against neoliberalism will be in this respect. But it may be worth concluding this short discussion by looking at a recent report of the French organization of young managers (*Centre des Jeunes Dirigeants d'Entreprise*).

This report, "The Enterprise in the XXIst Century," was discussed in the *Financial Times* of November 13, 1996. What strikes the reader is how it departs from the standard wisdom of the last 15 years. The report claims that in relation to labor flexibility, the maximum seems already to have been achieved, and that pressure to go further could backfire. "The more severe the competition," the report notes, "the greater the temptation to enslave man to the economy." Competitive advantages gained in this way will be short-term and superficial. The "imposition of subordination and servitude on the workers" will undermine the autonomy of the workforce necessary in a modern organization. It "[will] hold back the competitiveness of the company, and in time can only jeopardise the legitimacy of the company and its management," etc.

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The report goes on to say:

Today, in submitting to excessive constraints of productivity, in downsizing without limit, in seeking to make gains at the expense of society, business is in the process of breaking the social links which it used to build. We are convinced that unregulated capitalism will explode just as communism exploded, if we do not seize the chance to put man back at the centre of society.

There is no need prematurely to announce yet again the emergence of the proletarian subject who will bring about a socialist transformation, as humanity reclaims its alienated self. But let us at least agree that, as the exhaustion of society and nature by capitalist discipline is becoming manifest, the defense of daily life against disruption by overexploitation and crime (which will require a new respect for "tradition" and "values") should not be left to the Right.

NOTES

1. See also G. de Ste. Croix, "Class in Marx's Conception of History, Ancient and Modern," *Monthly Review* (36, 10) 1985
2. van Erp, H., *Het kapitaal tussen illusie en werkelijkheid* (Nijmegen, SUN) 1982, p. 180.
3. K. Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time* (Boston, Beacon) 1957 [1944], pp. 47-55.
4. E. Rosenstock-Huessy, *Die europäischen Revolutionen und der Character der Nationen* (Stuttgart, Kohlhammer) 1961 [3rd. ed.; 1931], pp. 404-5.
5. R. Nima, *The Wrath of Allah. Islamic Revolution and Reaction in Iran* (London and Sydney, Pluto) 1983, p. 142).
6. J. Hough, *Russia and the West. Gorbachev and the Politics of Reform* (New York, Simon & Schuster) 1990, p. 48.
7. A. Sohn-Rethel, "The Dual Economics of Transition" in R. Panzieri et al., The labor Process and Class Strategies (London, CSE) 1976, p. 27.
8. J.D. Maurino, Procès d'internationalization et developpement des luttes de classes (Grenoble, CERES, mimeo) 1974, pp. 54-5.
9. Quoted in *Newsweek*, June 17, 1985.
10. A. Hoogvelt and M. Yuasa, "Going lean or going native? The social regulation of "lean" production systems," *Review of International Political Economy* (1,2) 1994, p. 293.
11. W. Buitelaar and P. Vos in *De Volkskrant*, July 20, 1996.
12. H. Lefebvre, *Critique de la vie quotidienne* (2 vols.) (Paris, L'Arche) 1958/1961.
13. E. Zaretsky, *Gezin en privéleven in het kapitalisme* (Nijmegen, SUN) 1977, pp. 102-3.
14. M. de Goede, "Ideology in the US welfare debate: neo-liberal representations of poverty," *Discourse & Society* (7, 3) 1996. At the time of this writing, the question whether the CIA actively aided the introduction of crack into the United States as part of its fundraising for the Contras in Nicaragua, is not settled. There need not be any doubt however, as to the profound interconnection of drugs, intelligence services, and the global ruling class. I only mention P.D. Scott and

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J. Marshall, *Cocaine Politics. Drugs, Armies, and the CIA in Central America* (Berkeley etc., University of California Press) 1991.

15. For a discussion of this "disciplinary neoliberalism," see S. Gill, "The Global Panopticon? The Neoliberal State, Economic Life, and Democratic Surveillance," *Alternatives* (20, 1) 1995.
16. For a collection of interpretations of this movement, see *Le Monde Diplomatique*, January 1996, "When Society Says 'No.'"
17. *De Volkskrant*, Nov. 18, 1995.
18. Polanyi, Great Transformation, op. cit. p. 152.
19. *De Volkskrant*, Oct. 26, 1996.
20. R. Funke, "sich durchsetzender Kapitalismus. Eine Alternative zum spätkapitalistischen Paradigma," in *Starnberger Studien* vol. 2 (Frankfurt, Suhrkamp) 1978, pp. 227-8.

(Continued from inside back cover)

Russell Baker, the *New York Times* op-ed columnist, is arguably America's premier journalistic figure—a master of the comic, a brilliant satirist, and on occasion a first-rate political analyst and reporter. We were put in mind of this last quality by his column of March 18 which could have been, and should have been, run as a sensational page one news story. The column picks up on an obscure inside-page story in the *Times* of February 15, 1997, which in turn was based on a press release from the Johnson Presidential Library containing taped recordings of 1964 phone conversation between the president on the one hand and on the other his national security adviser McGeorge Bundy, and Senator Richard Russell, chairman of the Senate Armed Services Committee. What the tapes disclose, in Russell Baker's words, is that "Lyndon Johnson, as early as 1964, viewed the Vietnam War as pointless." Baker then adds: "The twist that makes this a tale for a great fiction writer is Johnson's belief that, pointless though it was, Congress would destroy him if he tried to pull out. So he didn't, and so the war destroyed him instead. And gave us all that death." The rest of the column is equally eloquent—and damning. If you missed it and would like to have a copy send us a SASE and we'll send you a photo copy.

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BOOKS

What About Keynes?

by Doug Dowd

Lynn Turgeon. *Bastard Keynesianism: The Evolution of Economic Thinking and Policymaking since World War II* (Westport: Greenwood Press, 1996), $57.50, 156pp.

The above question, followed by the cryptic imperative to "write for three hours," constituted the final exam of our graduate macro seminar at Berkeley—in 1948, just about half a century ago.The prof was William Fellner, an émigré from prewar Hungary, a classic conservative and a relentless critic of John Maynard Keynes—another classic conservative.[1]

Both viewed capitalism with distaste—Fellner from the standpoint of the higher social elevations of Hungary, Keynes from those of Britain. Hungary's sociocultural and economic connections with Austria provided Fellner with his analytical position; Keynes's experience with a Britain bogged down in economic stagnation throughout the entire 1920's—when its unemployment never fell below ten percent—shook him loose from that same analytical tradition.[2]

In 1947, only a year before our seminar, one of the first economics textbook to present keynesian theory (by Paul Samuelson)came out; it was promptly banned as "communistic" in more than one state. To complete the unfunny comedy, when Keynes's original position is put forth today—which is seldom—it is branded as "left Keynesianism."[3] Doubtless the economics profession will find even lower depths to plumb before much time has passed.

Doug Dowd has been a Lecturer in International Economics at Johns Hopkins University School for Advanced International Studies in Bologna, Italy, for over ten years. He has received the Guggenheim and Fulbright Fellowships. He is the authour of *Blues for America* (Monthly Review Press 1997).

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So: What about Turgeon? After half a century embodying the rise, the contamination, and the fall of Keynesianism his book is required reading for the upcoming young and, though most are probably beyond repair, their shell-shocked elders. In providing the relevant history of U. S. political economy since the Second World War and its associated tidal shifts in economic analysis, Turgeon (an old pal, it must be confessed) also shows why the late great Joan Robinson (a collaborator of Keynes in shaping the *General Theory of Employment Interest and Money,* 1936) called the Keynesianism of recent years "bastard" Keynesianism.

Turgeon's book would have been valuable twenty years ago; given the mishmash that passes for economic science today, it has become 'a must read' not only for students of economics, irrespective of level, but even more so for their teachers—most of whom, it may be safely wagered, have never read Keynes (or, for that matter, patron saints Alfred Marshall, Adam Smith or David Ricardo—let alone Thorstein Veblen or, at the risk of causing the walls to crumble by the mere mention of his name, Karl Marx).

The book is organized as though it were a series of lectures—as indeed it may well have been. It begins with an Introduction highly useful in its comparison of Keynes's own position with that of the 'bastardizers' who have come to dominate macroeconomic thought and policy. In that process they have turned Keynes on (or torn off) his head, misusing or ignoring his analyses to justify what he opposed—balanced budgets, "supply-side economics" and lowering of the taxes of the rich, what has been called "military Keynesianism," and a long list of other mental aberrations and social crimes. As such, its few pages provide a splendid *aperitivo* for the rest of the book.

What then follows, from the first through the thirteenth chapters (plus five very useful appendices covering a broad range of matters ranging from interesting to vital), is a *very* compact historical and analytical treatment of the torturous passage from "classical Keynesianism" to its "bastardization," that is, the ongoing militarization and commercialization of Keynesian theory and policy.

Such a grave alteration in "ideas" could not have happened, of course, had it not been moving along with the main drift of the society itself—a poisonous drift camouflaged and prettified, not for the first time, by the economics profession. Put differently, whatever may have been wrong with the United States of the period 1936

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through the Sixties—and to list those wrongs would take a very long time—it was worsened by (and its improvements washed away) what has come to be taken for granted in both economic thought and policies in the past twenty years or so.

A brief review is not the place for a summary, let alone an explication of the many chapters of an already very concise rendering of complex ideas and more than a half century's equally complex history. What such a review can do is to emphasize the importance of undoing the shameful economic ideas and policies of those who have shouldered their way into power over our political economy; Turgeon's work is an efficient and effective first step toward that necessary resolution.

NOTES

1. "Classic" as distinguished from what passes for "conservative" in the United States these days. One need not be any kind of conservative to prefer the former to the latter. Keynes was by no means a fan of capitalism, which he once characterized as "a congeries of possessors and pursuers" more suited to presiding over a gambling casino than an economy. But his distaste for the greedy and unscrupulous scramblers of this system—in which he functioned successfully as a financial speculator for his university and himself—was much exceeded by his scorn for socialism. U.S. "Conservatives" today have a nostalgic fervor for a capitalism that never existed or, to the degree that it did, was as mindless as it was heartless—"capitalism with the gloves off," in Harold Laski's mid-1930s description of fascism: now in the American mode, for better and for worse.
2. It may be added that the doyen of U.S laissez-faire capitalist thought since the Second World War has been Milton Friedman—once the prime product, subsequently the main shill, for the "Chicago School"—the very "school" (called "Los Chicago Boys") that guided the economic policies of Pinochet's fascist Chile. Friedman had picked up his ethico-mental infirmity from the Austrian Ludwig von Mises, via the Austrian Friedrich A. von Hayek. The latter's influential *Road to Serfdom* (1946) used the term "serfdom" to describe the meaning of the New Deal. Were it not for his economic illiteracy one could guess that Newt (von) Gingrich, like Friedman found his soul's inspiration in von Hayek's hymnal to social cruelty—the beginnings of what over time has become the Second Coming of the Reverend Thomas Robert Malthus.

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3. Compare this position of the "conservative" Keynes with *any* "conservative" today:

> The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.
>
> Thus our argument leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is, therefore, removed.

The quotes are taken from pp. 372-73 of *The General Theory*, Chapter 24, entitled "Concluding Notes On The Social Philosophy Towards Which the General Theory Might Lead." A fuller discussion of this, and all relevant policy matters, as well as a systematic rundown of the entire theory providing the best next-step for those seeking more after Turgeon's work is the excellent book of Dudley Dillard *The Economics of John Maynard Keynes* (New York: Prentice-Hall, Inc., 1948). But *The General Theory* itself should be read both as a work of mainstream economics at its rare best, and also as a work of economic art.

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The Costs of Economic Liberalism

by John Cavanagh

Review of Frederic F. Clairmont's *The Rise and Fall of Economic Liberalism: The Making of the Economic Gulag* (Southbound and Third World: Malaysia, 1996), Distributed in North America by The Apex Press, Suite 3C, 777 United Nations Plaza, New York, NY 10017; tel/fax (800) 316-2739, e-mail: *any@igc.apc.org, $20.00, 356 pp.*

In a world where much of the public debate over free trade is highly polarized between the apologetics of Clinton, Dole, and the Fortune 500 on the one hand, and the racist nationalism of Pat Buchanan on the other, there is a desperate need for analysis based on reason and history. A treat has arrived from a preeminent United Nations economist linked up with a Malaysian publishing house.

In 1960, United Nations economist Frederic Clairmont published a searing indictment of free trade and economic liberalism entitled *The Rise and Fall of Economic Liberalism.* This year, in the midst of the raging global debate over NAFTA, the new World Trade Organization and other instruments of free trade, Clairmont has reworked the original text, updated it, and added lengthy introductions and conclusions that cover developments over the last four decades.

Clairmont's contributions are both empirical and historical. On the empirical front, Clairmont's dazzling juxtapositions of statistics dispel once and for all the ideathat in the era of the modern transnational corporations, nothing close to free market

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John Cavanagh is co-director of the Institute for Policy Studies and co-author with Richard J. Barnet of *Global Dreams: Imperial Corporations and the New World Order* (Simion & Schuster, 1994).

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conditions exist anywhere in the world. Clairmont's contributions in this realm are based on decades of research.

After the original publication of *Economic Liberalism,* Frederic Clairmont became one of the most original social scientists and creative researchers in the vast United Nations system. His three United Nations studies on corporate control of the banana, tobacco, and then fibers and textiles sectors analyze the impact of concentrated corporate power on peasants, prices, marketing, and the entire development process.

Clairmont's meticulous calculations, updated in this book, describe how the world's top 200 firms controlled almost a quarter of the planet's economic output by 1980. He has uncovered the tight oligopolistic control of industry after industry by a handful of global giants.

In *Economic Liberalism*'s powerful new introduction, Clairmont tours us through the recent waves of mergers and acquisitions that has led to the further consolidation of the Top 200 firms. Clairmont claims that 60 percent of international trade is now intra-firm transfers among units of the same giant firms; other figures place the total at 30-40 percent. Whichever is correct, a huge segment of international trade escapes any of the so-called "laws" of supply and demand; prices are set according to the internal dictates of private firms.

This statistical tour-de-force adds power to Clairmont's critique of David Ricardo's conceptualization of the wonders of comparative advantage in which all benefit from England exporting cloth and Portugal exporting wine. In Clairmont's words: "Free trade, and the nostrum of comparative advantage, has foundered on the rocks of capitalist concentration and its corollaries. Inasmuch as the TNC conglomerates own and control the modern counterpart of Portuguese wineries and British cotton textile plants, they are the winners on all fronts."

A major theme of the introduction is that global firms have taken firm control of the reins of the State. Clairmont describes former U.S. Commerce Secretary Ron Brown's "war room" where corporations openly ruled. Yet as Clairmont explains, government serving corporate expansion has deep roots in British imperial history.

The meat of *Economic Liberalism* is a dissecting of the British version of free trade and its devastating consequences on the world's second most populous nation: India. The new introduction and conclusion also offer an update of the supplanting of British

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imperial power by the United States after the Second World War. Clairmont describes the passing of the baton of global economic hegemony at the historic conference at Bretton Woods, New Hampshire, and the more recent deployment of economic liberalism around the world by the United States, the World Bank, and the International Monetary Fund. This section includes a fascinating history of the brutality of the U.S. government's world view, from George Washington's opinion of Native Americans ("Indians have nothing human except the shape...") to State Department Policy Planning Study number 23 in 1948 ("We have about 50% of the world's wealth, but only 6.3% of its population.... In this situation...our real job in the coming period is to devise a pattern of relationships which permit us to maintain this position of disparity"). Free trade, Clairmont reminds us, has always been "a doctrine of one social class...that would be deployed ruthlessly to cut down another social class...."

A meticulous economic historian, Clairmont digs out the intellectual rationalization of free trade and economic liberalism by British politicians, businessmen and ideologues of the late 1700s and 1800s. A British ideologue wrote in 1832: "It is clearly seen that to our beloved Great Britain has been assigned the high mission of manufacturing for her sister nations. Our kin beyond the sea shall send to us in our ships their cotton from the Mississippi valley, India shall contribute its jute, Russia its hemp and flax, and ironstone for our factories and workshops...."

Clairmont traces the roots of the industrial revolution in England and economic classes that benefitted. He then shows the losers from these policies, focussing on America, Germany, and India. Clairmont's Indian case study exposes the worst of what he calls the "savage whiplash of economic liberalism." British imperial policy in India "led to the annihilation of Indian manufacturing" as the nation was pressed to produce cotton, indigo, and tea for the British market. Pre-British India has been a nation of skilled crafts people: producing intricate textiles in Hindustan; iron, brass, and copper in Benares, Tanjore, Poona, and elsewhere; as well as shipbuilding, jewelry, stone carving, ivory, glass, tannery, perfume, and paper-making. Revenues from the Indian empire enriched the colonial master and funded British wars in Ceylon, Singapore, Hong Kong, Aden, Rangoon, China, and Afghanistan.

The destruction of Indian manufactures is analyzed in detail. Indian silk and other textiles had been exported in large quantities

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before 1815 and easily underpriced British items. Then, in the name of free trade, British levied prohibitive duties as high as 1,000 percent on these articles. Meanwhile, duties of British textiles into India were set at three and one half percent on most items. An urban-rural migration ensued in India and the British imposed the exploitative British landlord system on the colony, which would be the source of countless peasant revolts in years to come. Plantations, some using slave labor, spread in cotton, sugar, wheat, and other cash crops. Rising exports of food and cash crops would coincide with mass famine for the next century. Clairmont writes: "As Ireland had been laid waste by mercantilist economic policies in the seventeenth and eighteenth centuries, so was India to be ravaged by liberal economic policies often indistinguishable in their rapacity from their mercantilist predecessors."

One of the great contributions of *Economic Liberalism* is the fascinating reminder of the extraordinary history of human resistance to the onslaught of economic liberalism, beginning with the American colonies, and later in India, Germany, Japan, China, and elsewhere. Clairmont starts with the writings of Alexander Hamilton and other exponents of deploying the state to protect "infant industries" and to promote industrialization. His most interesting passages focus on Frederich List, the nineteenth century German who laid out the argument on the specificity of economic liberalism to Great Britain at that time, and why it was a force of destruction elsewhere. List helped provide an intellectual underpinning for protectionism and state interventionism (and for the emptiness of the notion of the "comparative advantage") in both the rapidly expanding American economy and later in Germany.

List's ideas would gain force again in the third quarter of the 20th century in the East Asian miracles of Japan, Korea, and Taiwan, and help generate the fastest growth rates in the world at that time.

Beginning in the early 1980s with the rise of Reagan, Thatcher, and Kohl, economic liberalism emerged as the dominant ideology around the world. Enhanced in their power by the Third World debt crisis, the World Bank and IMF have spread policy packages of economic liberalism to over 100 developing nations. In the 1990s, the United States and its allies have further accelerated the free trade juggernaut with NAFTA, the World Trade Organization, and negotiations for new trade agreements around the world.

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Yet, Clairmont reminds us that the juggernaut is not without severe contradictions. The corporate behemoths that are so skilled at carving out new overseas markets are slashing workers by the hundreds of thousands. Unemployment soars across Europe and in much of the Third World. Around the world, real wages are stagnating or falling. Inequalities of obscene scales are deepening all over. Clairmont concludes that the system's ultimate demise lies in "Millions and millions of working men and women driven into superfluity by the system are the Achilles heel...."

Indeed, in the midst of these conditions, a backlash to corporate globalization is emerging across the planet. One segment of it is intensely nationalistic and racist, led by Pat Buchanan and his counterparts in France, Germany, Austria, and elsewhere. Similar anti-globalization sentiments are found in the resurgence of fundamentalist Islam in Algeria, Iran, Saudi Arabia and other parts of the Muslim world.

Yet, other segments of a more progressive backlash are also evident. Indian farmers, by the hundreds of thousands, have taken to the streets against Cargill and Kentucky Fried Chicken. Philippine citizen groups almost defeated that country's accession to the new World Trade Organization. Networks of workers, farmers, environmentalist and others in Canada, the United States, and Mexico almost defeated NAFTA. Workers in France halted government cutbacks.

These movements represent a new "third way" between the ravages of the free traders and the racism of the protectionists. Participants in this new wave of resistance would do well to learn from the rich history of several centuries of resistance to free trade. Frederic Clairmont's *Rise and Fall of Economic Liberalism* is a good place to start.

Former U.S. Trade Commissioner Mickey Kantor, on economics and politics:

"Economics and politics have never been closer," he added [in an address to a meeting of leading financial officers of giant corporations]. "We are in each other's pocket. We are joined at the hip economically.... It's only natural that companies will influence countries' policies," Kantor said.

—*The San Juan Star*, February 11, 1997

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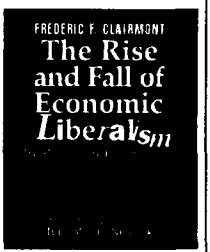
THE RISE AND FALL OF ECONOMIC LIBERALISM

The making of the economic gulag

Frederic F. Clairmont



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(Continued from inside front cover)

prominently displayed the following subtitle: "A Worldwatch Institute Report on Progress Toward a Sustainable Society." How reassuring: Despite all the hand-wringing and dire predictions of environmentalists, we are progressing toward a sustainable society: no less an authority than the Worldwatch Institute tells us so. But wait a minute. Let's look inside the latest report and see what evidence is presented in support of this good news. Alas, we are doomed to disappointment. Of nine chapters, only one—the last entitled "Learning from the Ozone experience"—can be described as even moderately upbeat. The rest add to the dismal story of environmental deterioration spelled out in previous reports on the state of the world.

If you think there is a contradiction between the progress toward a sustainable society proclaimed on the covers of Worldwatch's annual reports and their contents, you are of course right. The former is what capital would like us to believe, the latter are produced by scientists and conscientious researchers.

You might wonder why both of these points of view should coexist in an institution like Worldwatch. The answer is that Worldwatch needs a lot of money to carry on its activities, and this can be obtained only from those who have it, and in a country structured like the United States that means mostly from foundations established and financed by wealthy capitalists. In the acknowledgments preceding the text of the 1997 *State of the World*, no fewer than sixteen foundations are thanked for their contributions, including multimillion-dollar entities with names like Dodge, Ford, MacArthur, Mellon, Rockefeller, and Pew. This explains the relevance of capital's point of view to the Worldwatch enterprise.

We are not suggesting, however, that capital dictates the contents of the Worldwatch reports. Not at all. Capital needs accurate knowledge of what's going on in the world, and in this respect the *State of the World* series is a valuable source of information, well worth paying for. Presenting the series as chronicling "progress toward a sustainable society" is of course nonsense, but it is hardly likely to fool anyone who takes the trouble to read them.

Where the point of view of capital shows up and can be considered as decisive is not in the contents of the reports or in the way the publisher chooses to describe them but in what they scrupulously refrain from saying or even hinting at. And that is (1) that the state of the world is not progressing toward sustainability, but continuing and deepening environmental deterioration; and (2) that the real cause of this frightening and ultimately disastrous trend is capitalism, a society driven by insatiable hunger for profits and capital accumulation regardless of the consequences for present or future generations.

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